FOSTER & ASSOCIATES

QUARTERLY REPORT

2017: Second Quarter Highlights

Q2-2017 saw the portfolio posting a modest gain of 60bp, outperforming the S&P/TSX-TR by 2.24%.

Our exposure to Alternative Investments was a sunny spot in the quarter, returning 2.26%, as well as moderating the daily ups and downs in the portfolio. Topping the charts was the Kensington Private Equity Fund, which returned 4.4% in Q2.

The stronger US dollar was a bit of a headwind, rallying 2.61% vs the Canadian dollar in the quarter. This is not a huge move for the period, but the result is that our US stock market returns, measured in Canadian dollars, get knocked down by the same amount.

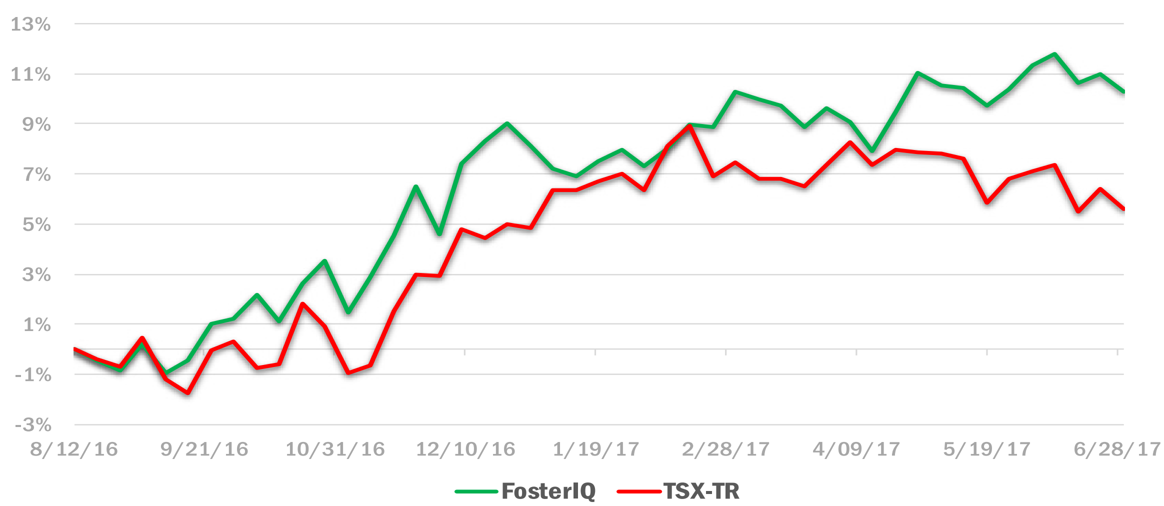
That said, being so light on Canadian stocks was generally a good thing in Q2. Despite having one of the best growth rates in the developed world, Canadian equities were dud performers in Q2, with the total return of the S&P/TSX-TR underperforming the S&P/500-TR by almost 5%. Trouble is, the rally in the Canadian dollar erased much of the benefit.

(continued next page)

	2017 Q2	Since Inception (Aug 2016)
FIQ Model Portfolio	**0.60%**	**10.28%**
S&P/ TSX-TR	-1.64%	5.62%
FIQBM Index	-0.29%	10.61%

FosterIQ Model Portfolio compared to S&P/TSX-TR Index

Since inception of the FIQ Model Portfolio in August 2016



DISCLAIMER: Net returns are stated in Canadian dollars and are the actual returns of the first portfolio in our FosterIQ Managed Account Program (the Model Account). This account is charged a 1% per year management fee, accrued monthly (standard on investments over C$ 1.0 mil). Different portfolios' performance in this program will be higher or lower than the above reported performance of the program depending on several factors, such as fee levels, starting point, investment amount, asset allocation, government taxes (if any).

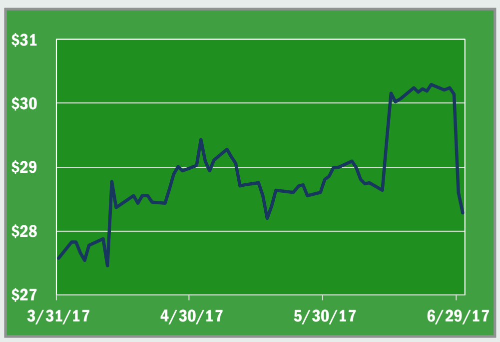
The S&P/TSX Composite Total Return Index (S&P/TSX-TR) is a capitalization-weighted index of stocks traded on the TSX. It is not an investable index and as such is not a direct comparison to an investment in the FosterIQ program, and should therefore the returns should be considered hypothetical in nature and for illustrative purposes only.

This is just another life lesson for Canadian investors, on why home bias can be dangerous. Due to the lack of diversification in the Canadian economy, energy stocks end up being a chunky 20% of the benchmark. With crude oil prices down 9% in Q2, this pretty much baked in a weak performance for the Canadian equity market. Financials in Canada, weighing in at 34.5% of the index, present a similar peril.

EQUITY MARKETS

Equities currently account for 68.5% of the overall portfolio. US market exposure is currently 57%, with Canada at 34% and international exposure at 6.5%.

A few highlights from Q2:



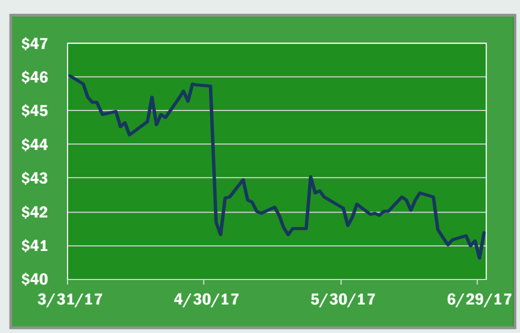
All amounts in C$

Shaw Communications (SJR.B-TSX)

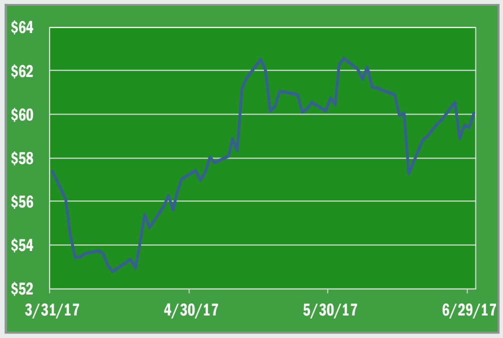
Shaw experienced cable TV subscriber growth for the first time in seven years and overall results were roughly in line with street expectations. This improvement in cable is mainly due to its recently launched BlueSky TV offering (which uses Comcast's X1 cloud-based platform). Bluesky TV provides customers with an enhanced TV experience through voice-activation and simplified navigation. Shaw also announced the sale of its US data centre business, ViaWest and used some of proceeds to purchase several of Quebecor's spectrum licenses and reduce indebtedness. Shaw continues to expand and grow its wireless offerings with Freedom Mobile.

Archer Daniels Midland (ADM-NYSE)

Earnings were weaker than analyst expectations, as its Agricultural Services division (45% of Sales) underperformed on various fronts. Management indicated that they continue to reduce fixed costs and expect this business to rebound later this year or early next year. ADM recorded a strong quarter from its soybean and corn processing divisions as margins have been expanding. The company continues to buy back its shares (5.5 million shares purchased for US$248 million in Q2). The dividend yield is 3.1% or US$1.28 per share.



All amounts in USD$



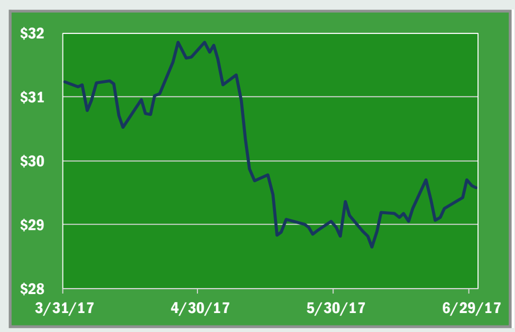
All amounts in C$

Magna Intl. (MG-TSX)

EPS of US$1.55 easily beat consensus of US$1.35. Continued strength in its European operations offset some of the softness in North America. Magna continues to buyback it shares and during the conference call management expressed its frustration with market valuation of its shares. They are looking at various options at enhancing shareholder value. Two trends in the industry that Magna is allocating further resources to are electrification (electric vehicles) and autonomous driving. It's no secret that both Alphabet (Google) and Apple are known to be working on autonomous driving platforms. Magna is considered to be one of the world's best contract vehicle parts manufacturers and we would not be surprised if it partnered up with one of these two tech giants to build the next "Google" or "Apple" car.

Power Corp. (POW-TSX)

Power Corp. reported adjusted earnings of $0.58 per share vs. $0.41 (Q1 2016). It also announced an increase of its quarterly dividend by 7% to $0.3585. Power Financial (PWF, 66% owned by POW) earnings inched up to $0.70 as Great-West Life's (GWO, 68% owned by PWF) European and US operations' continued to grow and Putnam's AUM was up 10% year over year. Power CEO Paul Desmarais Jr. stated that parent company POW continues to invest in fintech companies and has set aside $250 million for future investments in this space. Additionally, Mr. Desmarais stated that Power is looking at opportunities for bolt-on acquisitions in the US.



All amounts in C$

ALTERNATIVES

Our Alternatives allocation remains at 30%, which is close to our preferred target exposure.

Our approach to alternatives is what makes FosterIQ an institutional-style program. While many investors are attracted to alternative investments for the high-octane returns they can sometimes offer, our interest is in the protection and diversification they can provide. So, while we obviously want to make money, we look to them to moderate declines in our overall account values during times of stress.

For that reason, you typically won't see any double-digit returns in our alternative investments. But ideally, we will see slow and steady returns through thick and thin.

Before we allocate to any alternative investment, we subject the manager to a thorough due diligence process before being approved by our Investment Committee. Currently, our allocations are to the following funds:

Polar Multi-Strategy Fund LP
Sprott Bridging Finance Trust
Sprott Private Credit Trust II
Westboro Mortgage Company Inc.
Kensington Private Equity Fund
Timbercreek Four Quadrant Fund

This quarter saw the Timbercreek Four Quadrant Global Real Estate Partners Fund added to our approved alternatives list, but not yet added to the model portfolio. Led by Corrado Russo, the fund is global in nature, investing in private or public real estate investments in countries such as Singapore, Australia and France. We believe the international focus gives our Canadian investors exposure to real estate without adding to their existing, and possibly worrisome, Canadian real estate exposure. We plan on adding the Four Quadrant Fund to portfolios sometime in the next few quarters.

There isn't enough space here to do a deep dive on any of these specific investments, but please follow our Portfolio Manager's blog for updates at fosteriq.ca/blog

BOND MARKETS

Our fixed income exposure is currently at zero. Our view of traditional notes and bonds is that they don't present enough reward to compensate for the multi-year marked-to-market losses they could suffer if yields continue to trudge higher.

MONEY MARKETS

At the end of the quarter cash was about 1.35% of our portfolio. Cash is expected to fluctuate between 1-3% of portfolios until the end of the year. Our preferred cash instrument is currently a Scotiabank HISA yielding 1.0% per annum.

What defines a FosterIQ Managed Portfolio?

"I" stands for an institutional approach to diversification. "Q" stands for a quantitative and disciplined approach to stock selection.

The FosterIQ Managed Portfolio program is focused strongly on True Diversification.

For us, that means holding a carefully selected portfolio of traditional assets and alternative investments that attempts to provide stable performance for the long term. It's not a fund, but rather an overall approach that can be implemented across a variety of different client portfolios – RRSPs, TFSAs, taxable accounts, etc.

We divide our investment universe into Four Pillars:

Equities,
Alternatives,
Fixed Income
and, Cash

and we very carefully allocate among them.

New investors may be surprised by the prominence we give to Alternatives, but it's our belief that carefully selected alternative investments can provide much-needed shelter in times of stress, and thereby improve investor outcomes.

FosterIQ Investment Definitions

Traditional Investments:

- Stocks
- Bonds
- Notes and preferred shares
- Money market instruments

Alternative Investments:

- Real Estate
- Alternative Lending
- Multi-Strategy Funds
- Mortgage Investment Companies
- Precious Metals
- Private Equity

FOSTER IQ
info@fosteriq.ca
www.fosteriq.ca

FOSTER & ASSOCIATES FINANCIAL SERVICES INC.
372 Bay Street, Suite 1100, Toronto Ontario, M5H 2W9
416.369.1980 TF 1-800.559.8853